



2022-23 Performance to June 2022

Areas to cover

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Key messages and highlights

- There have been no changes to the Board during 2022/23.
- G1/V1 grading reaffirmed in October 2021.
- A+ (stable outlook) Standard & Poor's reaffirmed in October 2021.
- All financial covenants have been comfortably achieved, each maintaining significant headroom.
- Substantial cash reserves and undrawn facilities
- On 6 April 2022, FHG announced it is in early talks with bpha and Flagship Group to enter a partnership. The three organisations collectively manage over 60,000 homes in central and east England and are exploring the potential of combining their expertise and capability to enhance the customer service and provision of more homes. All three organisations have strong credit ratings - Flagship (A2, Moody's), bpha (A+, S&P), and Futures (A+, S&P), which provides a firm financial foundation for any future partnership.

Financial highlights for the period: April to June 2022 (unaudited)

- Turnover for the period was £15.5m (2021: £16.9m)
- Social housing contributed to 90% of total turnover (2021: 78%)
- Operating surplus for the period was £5.8m (2021: £5.7m)
- Operating margin on social housing lettings was 38% (2021: 41%)
- Overall operating margin was 37% (2021: 34%)
- Overall operating margin (excluding asset sales) was 37% (2021: 38%)
- The overall surplus for the period was £3.4m (2021: £3.2m)
- Interest cover forecast for 2022/23 is 1.37 (covenant 1.10)
- Gearing forecast for 2022/23 is 52% (covenant 80%)



Financial Performance - April to December 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Apr - Jun Budget	Apr - Jun Actual	Variance
	£000's	£000's	£000's
Income			
Social housing lettings	14,178	14,004	(174)
Other social housing activities	1,674	771	(903)
Non social housing activities	757	723	(34)
	16,610	15,498	(1,112)
Expenditure			
Social housing lettings	(9,548)	(8,668)	881
Other social housing activity	(1,730)	(662)	1,069
Non-social housing activity	(387)	(386)	1
	(11,665)	(9,715)	1,950
Operating Profit	4,945	5,783	838
Operating profit %	30%	37%	8%
EBITDAMRI as % Revenue	31%	35%	5%
Gain or (loss) on disposals	422	452	30
Net interest (payable)/receivable	(2,800)	(2,863)	(63)
Tax	0	(3)	(3)
Total comprehensive income for the year	2,567	3,369	802

Financial Performance April 2021 to December 2021 - variance to budget

Operating profit of £5.8m is £0.8m favourable to budget, returning an operating margin of 37%.

This is a strong result and is due to a combination of factors as outlined below:

Income was below the budget overall by £1.1m; the main variances relate to:

- Delays in the prior year and current year property handovers has resulted in reduced social housing rent.
- Shared ownership sales volume is behind budget due to the re-phasing of scheme handovers, the average profit remains strong and is greater than budgeted assumptions due to increased market values.

Expenditure was lower than budget by £1.9m; the main variances relate to:

- Underspend on voids following a reduction in the average costs.
- Bad debt savings as actual YTD performance is 1.1% compared to a budget of 1.5%.
- Shared ownership costs are lower, in line with the income variance.
- Depreciation is lower due to delays in handovers.

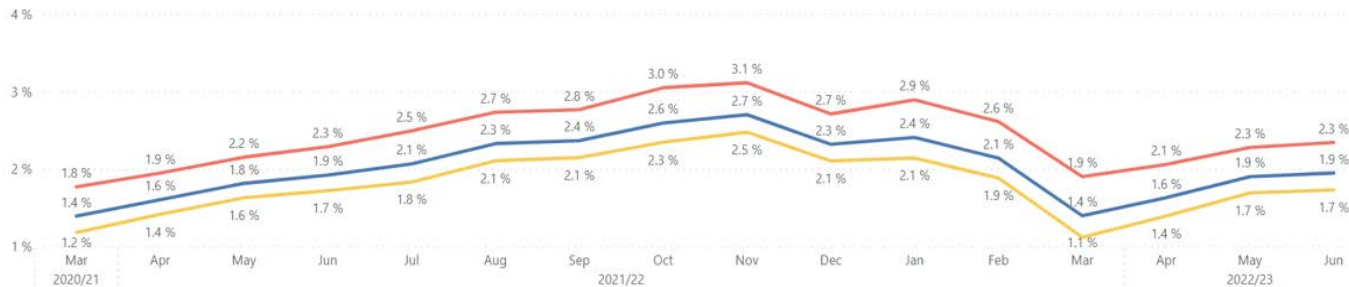
Overall, total comprehensive income of £3.4m is £0.8m higher than budgeted.



Arrears

Arrears % - Using New Month End

● FHG ● FHL ● FHW



Current Arrears - Using New Month End

Company ● FHL ● FHW — Total Arrears



June 2022 arrears position

Arrears for the Group are 1.9%, the same as at the end of quarter 1 in 2021.

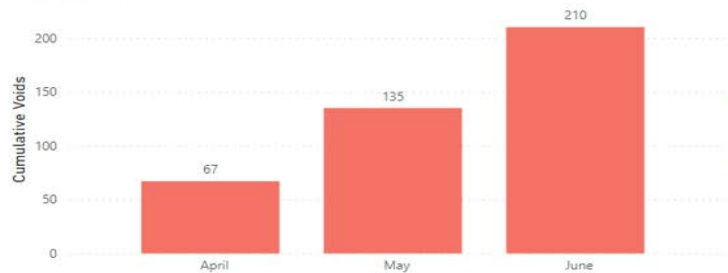
Customers are beginning to feedback that they are experiencing financial hardship due to the increased cost of living. Alongside working with partnering agencies, a fund has been created to assist customers in immediate crisis.

Month end: 8th July 2022, Social & Affordable only



Social / affordable void rent loss & relets

Total Voids YTD



Total VRL YTD



June 2022 position

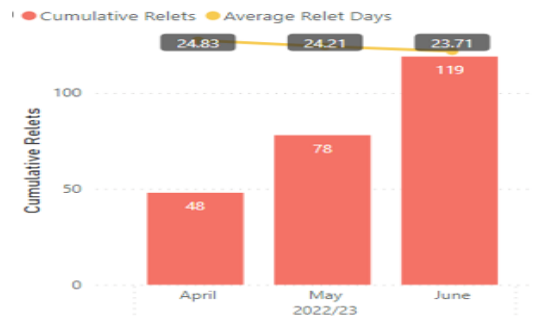
Void rent loss (VRL)

The quarter to June 2022 ended with an overall void rent loss for social and affordable homes of £48k (2021: £41k) resulting in an improved position compared to the previous year.

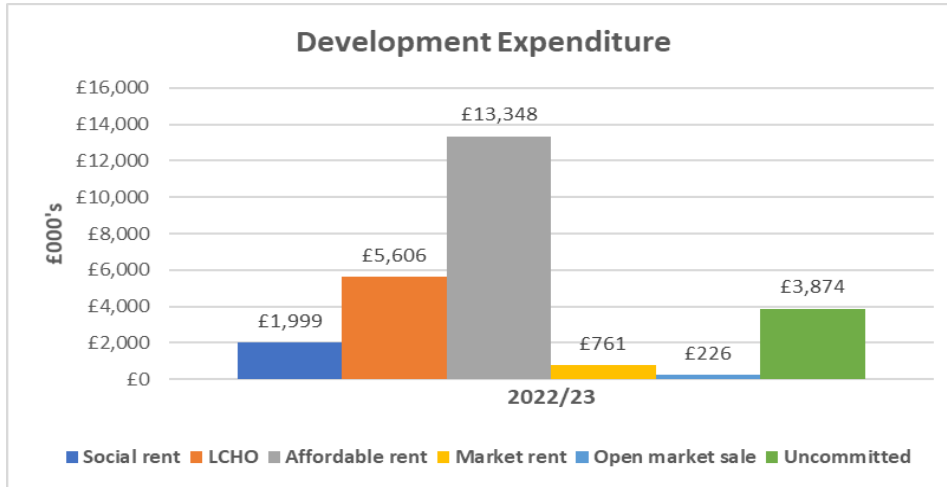
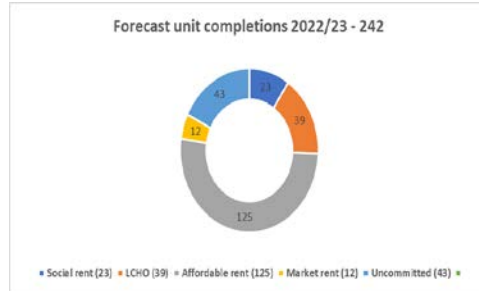
Void relets

The average turnaround to June 2022 is 23.7 and is consistent with the previous year.

FHG Cumulative Relets and Avg Relets Days



Development performance



Development forecast performance to June 2022

Total forecast spend in 2022/23 £25.8m is in line with budget; £3.9m of the total forecast spend relates to uncommitted costs and work is on-going to secure schemes. 2 homes have been delivered to June due to scheme delays, and the forecast for the year is 242 homes (includes 431 uncommitted homes).

Sales activity to June has generated £0.7m, shared ownership income is lower due to the timing of sales, however the average profit per sale is benefitting from market value increases.

As at the 30th June 2022, 458 units are secured, and 166 units are in the pipeline. 16% of approved development expenditure is committed and 12% is awaiting approval.

Business plans are built with prudent assumptions to effectively manage risks associated with new development such as falling property values, rent values and sales risk.

Homes England has awarded £171m of grant under the Affordable Homes Programme to a joint bid between Futures, Midland Heart and EMH. This provides the Group with an additional £21.8m in funding which go towards delivering 500 homes.

No reliance on sales income and/or grant income to meet financial covenants so business plans can operate effectively within their funding facilities.

